Innovation Saskatchewan

Financial Statements

For the year ended March 31, 2015

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Innovation Saskatchewan, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Innovation Saskatchewan as at March 31, 2015, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 17, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

1500 Chateau Tower - 1500 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 *f* 306.787.6383 *e* info@auditor.sk.ca
) www.auditor.sk.ca

Statement 1

Innovation Saskatchewan
Statement of Financial Position
As at March 31

	(thousands of dollars) 2015	2014
Financial Assets		
Due from General Revenue Fund (Note 3)	$ 5,129	$ 9,794
Accounts Receivable	12	45
	5,141	9,839
Liabilities		
Accounts Payable and Accrued Liabilities	344	545
Net Financial Assets (Statement 3)	4,797	9,294
Non-financial Assets		
Prepaid Expenses	8	16
Accumulated Surplus (Statement 2)	$ 4,805	$ 9,310

Designated Assets (Note 9)
(See accompanying notes to financial statements)

Statement 2

Innovation Saskatchewan
Statement of Operations and Accumulated Surplus
for the Year Ended March 31

		(thousands of dollars)	
		2015	*2014*
	Budget	**Actual**	**Actual**
	(Note 4)		
Revenue			
Transfer from the General Revenue Fund	$ 11,590	$ 11,590	$ 28,006
Interest		96	140
Other		239	63
	11,590	11,925	28,209
Expenses (Note 7)			
Administration	2,320	1,938	2,615
Program Grants			
Nuclear Strategy	4,720	10,218	18,308
SAIF (Note 9)	2,550	2,206	2,110
PTRC	2,000	2,000	-
Other	-	68	552
	11,590	16,430	23,585
Annual (Deficit)/Surplus	$ -	(4,505)	4,624
Accumulated Surplus, Beginning of Year		**9,310**	**4,686**
Accumulated Surplus, End of Year (Statement 1)		$ 4,805	$ 9,310

(See accompanying notes to financial statements)

Statement 3

Innovation Saskatchewan
Statement of Change in Net Financial Assets
for the Year Ended March 31

	(thousands of dollars) 2015	2014
Annual (Deficit)/Surplus	$ (4,505)	$ 4,624
Decrease/(Increase) in Prepaid Expenses	8	(15)
(Decrease)/Increase in Net Financial Assets	(4,497)	4,609
Net Financial Assets, Beginning of Year	9,294	4,685
Net Financial Assets, End of Year (Statement 1)	$ 4,797	$ 9,294

(See accompanying notes to financial statements)

Statement 4

Innovation Saskatchewan
Statement of Cash Flows
for the Year Ended March 31

	(thousands of dollars) 2015	2014
Operating Activities		
Cash Receipts from General Revenue Fund	11,590	28,006
Cash Receipts from Other Operating Activity	244	63
Cash Paid to Suppliers and Employees	(16,631)	(23,690)
Cash (Used in) Provided by Operating Activities	(4,797)	4,379
Investing Activities		
Cash Receipts from Interest	132	110
Cash Provided by Investing Activities	132	110
(Decrease)/Increase in Due From General Revenue Fund	(4,665)	4,489
Due from General Revenue Fund, Beginning of Year	9,794	5,305
Due from General Revenue Fund, End of Year	$ 5,129	$ 9,794

(See accompanying notes to financial statements)

1. Status of Innovation Saskatchewan

Innovation Saskatchewan was established under the provisions of *The Innovation Saskatchewan Act.*

Innovation Saskatchewan is the central agency of the Government of Saskatchewan with responsibility for implementing Saskatchewan's innovation priorities. Innovation Saskatchewan coordinates the strategic direction of the government's research and development and science and technology expenditures; provides advice on science and technology policy; coordinates the establishment and maintenance of science, research and development infrastructure; and provides advice and recommendations on research, development, demonstration, and the commercialization of new technologies and innovative processes in Saskatchewan. Innovation Saskatchewan is a corporate body eligible to receive monies primarily appropriated by the legislature for these purposes.

2. Significant Accounting Policies

These financial statements are prepared using Canadian Public Sector Accounting Standards published by CPA Canada and reflect the following significant accounting principles. Innovation Saskatchewan did not have any re-measurement gains and losses, therefore a statement of re-measurement gains and losses is not provided.

a) Revenue

Revenue is recognized in the period in which the transactions or events occurred that give rise to the revenue. Transfers from the General Revenue Fund are unrestricted in nature and are recognized when authorized and any eligibility criteria are met.

b) Expenses

Expenses represent the cost of resources consumed during the year for operations and grants made to third-party organizations. Grants are recognized as expenses in the period during which the transfer is authorized and eligibility criteria are met.

c) Non-financial Assets

Prepaid expenses are non-financial assets that are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge existing liabilities unless they are sold.

d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported

amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations and Accumulated Surplus in the period in which they become known.

3. Due from the General Revenue Fund

Innovation Saskatchewan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest is paid on a quarterly basis at the government's 30-day average interest rate. The average rate for 2014-15 was 0.92% (2013-14 was 1.02%). Interest earned during the year was $95,551 (2013-14 – $140,298).

4. Budget Approval

The 2014-15 budget was approved by the Innovation Saskatchewan Board on October 4, 2013.

5. Related Parties

These financial statements include routine transactions with related parties. Innovation Saskatchewan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, Innovation Saskatchewan is related to non-Crown Corporations and enterprises that the government jointly controls or significantly influences.

Related party transactions to March 31, 2015 include the following:

	(thousands of dollars)	
Expense	2014-15	2013-14
Board of Education of the Saskatoon School Division No. 13 of Saskatchewan	$ 7	$ -
Ministry of Central Services	18	33
University of Saskatchewan	6,221	7,011
SaskTel	18	21
Sylvia Fedoruk Canadian Centre for Nuclear Innovation - Grant	4,000	11,426
University of Regina	400	-
Innovation Place	148	144
Ministry of the Economy	203	212
Accounts Receivable	12	42
Accounts Payable	194	112

Contractual Obligations	*(thousands of dollars)* Leases	Programming
2015-16	148	5,457
2016-17	148	4,148
2017-18	-	3,700
2018-19	-	-
2019-20	-	-
Total	$ 296	$ 13,305

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, Innovation Saskatchewan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

6. Financial Instruments

Innovation Saskatchewan's financial instruments include: Due from the General Revenue Fund, Accounts Receivable, Accounts Payable and Accrued Liabilities. The carrying amount of these instruments approximates fair value due to their short-term nature. These instruments have no material interest, credit, liquidity, or market risks.

7. Expense by Object

	(thousands of dollars) March 31, 2015	March 31, 2014
Expenses		
Goods and Services	$ 660	$ 833
Grants and Transfers	14,243	20,970
Pension and Benefits	203	212
Salaries	1,241	1,422
Travel	83	148
	$ 16,430	$ 23,585

8. Contractual Obligations

Innovation Saskatchewan has non-related party programming and operational obligations in future years.

	(thousands of dollars)	
	Programming	**Operational**
2015-16	1,241	97
2016-17	141	-
	$ 1,382	$ 97

9. Designated Assets

Innovation Saskatchewan is holding $4.028M as designated assets to be spent as follows:

	(thousands of dollars)	
Designated Assets	**March 31, 2015**	**March 31, 2014**
Nuclear Strategy Program	1,344	6,842
SAIF	2,684	2,340
	$ 4,028	$9,182

Innovation Saskatchewan maintains an internal fund called the Saskatchewan Advantage Innovation Fund (SAIF) for the purposes of providing support for innovation activities in areas such as research and development, demonstration, commercialization and education consistent with the Innovation Saskatchewan mandate. Decisions on projects funded by SAIF are based on a rigorous project evaluation criteria used to vet all projects and are recommended to the Innovation Saskatchewan Board of Directors for approval.

Due to delays in planning and negotiations, Innovation Saskatchewan has retained funds for its Nuclear Strategy Program for purposes of supporting the construction of the Saskatchewan Centre for innovation in Cyclotron Science (SCI-CS) cyclotron facility and associated nuclear substances laboratory, part of the Sylvia Fedoruk Canadian Centre for Nuclear Innovation and for joint research projects undertaken under the auspices of the Memorandums of Understanding with Hitachi, Ltd. These designated assets are included in the Due from General Revenue Fund on the Statement of Financial Position.

10. Pension Costs

The employees of Innovation Saskatchewan participate in the Public Employees' Pension Plan defined contribution plan. Pension costs of $24,255 (2013-14 - $23,873) are included in pension and benefits expense and comprise the cost of employer contributions for current service of employees during the year. Employer contribution levels are applied at 7.25% of salary. Innovation Saskatchewan's liability is limited to the required contributions.

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.